

Lingle plan increases spending 11 percent

By B.J. REYES, The Associated Press

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Spending from the state's general fund would fall just short of \$9 billion for fiscal 2006 and 2007.

In her two-year budget unveiled Monday, Gov. Linda Lingle proposes to spend \$4.406 billion from the state's general fund in fiscal 2006 – up from the \$3.962 billion allocated for fiscal 2005, which ends June 30.

General fund spending would increase to about \$4.523 billion in the second year of the budget.

The general fund expenditures make up the largest part of the governor's overall two-year operating budget. When combined with special funds, federal funds, private contributions, county funds, trust funds, revolving funds, interdepartmental transfers and other funds, total state spending would amount to about \$18 billion under Lingle's two-year plan. Separate from the operating budget, Lingle has proposed spending \$803 million in fiscal 2006 on capital improvement projects, and another \$719.4 million in 2007. Funding for capital improvement projects is separate from the general fund and includes revenue from special funds, revolving funds, revenue bonds, private money, county funds and other sources.

The largest share of capital improvement project money is earmarked for the Department of Transportation: \$357 million in 2006 and \$362 million in 2007.

Lingle attributed most of the increases in spending to fixed costs that her administration has little control over, such as paying off state debt, raises for government employees, benefits for active and retired public workers, Medicaid payments, foster care and other social assistance programs, including and court-mandated expenses such as the Felix Consent Decree.

Such fixed costs make up 78 percent of state spending in fiscal year 2006, and 84 percent in 2007, Lingle said. Factoring out those costs, spending increases would be about 2.2 percent in 2006 and 2 percent in 2007, she added.

"We did have to strike a balance between revenues that are increasing in a moderate way and yet cover a large amount of fixed costs while still having money left for new initiatives," Lingle said.

Legislative hearings on the budget are scheduled to begin today.

Lingle's budget is the blueprint that majority Democrats in the House and Senate will work on during the session before handing it back to the governor for final approval.

Lingle now must go about selling her ideas to Democrats, who hold an 80 percent majority over Republicans in both chambers.

Sen. Brian Taniguchi, chairman of the Senate money committee, said he had not had a chance to study Lingle's budget proposal in detail Monday.

He noted that the Legislature has had a difficult time in getting some budgetary information from the administration as it prepares for the upcoming session.

"I think the governor seems to feel that we have to wait until her State of the State (address) to get some of that detail," said Taniguchi, D-Moiliili-Manoa. "I'm hoping she'll provide some of that detail prior to that."

Lingle's budget is based on the September forecast from the state Council on Revenues, which predicted state revenues to grow by 5.3 percent in fiscal year 2006, and by 5.7 percent in fiscal year 2007.

She said her administration's No. 1 priority remains education, noting that the budget includes funding for early childhood education and \$100 million in each year for Department of Education capital improvement projects.

The budget also includes \$50 million each year for improvement projects for the University of Hawaii.

State Budget Director Georgina Kawamura noted that the administration is working with university officials to determine whether any emergency funds will have to be spent to help pay for flood damage that occurred at the Manoa campus in October.

Interim President David McClain has said damage is expected to far exceed \$25 million – the limit of the university's flood insurance – and officials would likely appeal to the Legislature for help.

To address housing and homelessness, Lingle is proposing an increase of \$4 million over two years to the state's Rental Housing Trust Fund, which when coupled with private funding would result in about 900 new rental units.

She also plans to spend \$10 million each year to renovate 900 existing public housing units and increase capacity in homeless shelters by spending more on case management, which will allow people to transfer out of shelters faster.

Her budget also requests funding to build a new prison on the Kailua-Kona side of the Big Island.

Although a final site hasn't been selected, Lingle said some sites have been analyzed. She said West Hawaii is a preferred location because it would lessen overcrowding at the existing Hilo facility and reduce transportation costs because many prisoners are sent to Hilo from the other side of the island.

Regarding transportation, Lingle has proposed \$40 million in improvements to the state's harbors to prepare for the arrival of an interisland ferry system.

Hawaii Superferry Inc. is awaiting final approval from the state Public Utilities Commission and

has said it plans to start the service in 2007.

Lingle noted that the state is negotiating an agreement in which the ferry operator would repay the state for the harbor improvements.

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